

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Presque Isle County	County Presque Isle
Fiscal Year End December 31, 2006	Opinion Date May 11, 2007	Date Audit Report Submitted to State June 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

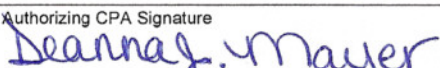
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature 	Printed Name Deanna J. Mayer		License Number 1101028546

County of Presque Isle, Michigan

Basic Financial Statements

December 31, 2006

COUNTY OF PRESQUE ISLE, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	ALLAN H. BRUDER
COMMISSIONER	MICHAEL A. DARGA
COMMISSIONER	STEPHEN LANG
COMMISSIONER	ROBERT SCHELL
COMMISSIONER	CARL ALTMAN

ELECTED OFFICIALS

COUNTY TREASURER	PATRICIA J. CORNETT
COUNTY CLERK	SUSAN M. RHODE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Presque Isle, Michigan
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Presque Isle, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the basic financial statements of the Presque Isle County Road Commission which represents 99% and 99% of the assets and revenues, respectively, of the discretely presented component units. The Road Commission statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the County of Presque Isle, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

A complete physical inventory of parts and materials was not performed by the County Road Commission as of December 31, 2006, and the Road Commission auditors were unable to satisfy themselves by means of other auditing procedures. The amount of the parts and materials inventory was \$590,039.

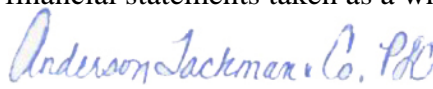
In our opinion, based on our audit and the report of the other auditors, except for the effects on the financial statements of the omissions and matters described in the preceding paragraphs and effects of such adjustments, if any, as might have been determined to be necessary had the inventories of the Road Commission been performed, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan, as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2007 on our consideration of the County of Presque Isle, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Presque Isle, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Anderson, Tackman & Company, PLC
Certified Public Accountants

May 11, 2007

Basic Financial Statements

County of Presque Isle, Michigan

Statement of Net Assets

December 31, 2006

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
ASSETS:				
Cash & Investments	\$ 3,612,286	\$ 1,158,241	\$ 4,770,527	\$ 1,349,852
Receivables:				
Accounts	-	-	-	504,750
Taxes	1,645,417	497,756	2,143,173	-
Interest	-	59,620	59,620	-
Notes	-	-	-	83,901
Loans	72,819	-	72,819	-
Due from Governmental Units	155,873	42,847	198,720	-
Prepaid Expenses	51,987	-	51,987	39,806
Inventory	-	-	-	590,039
Capital Assets Not Depreciated	748,100	523,700	1,271,800	6,792,411
Capital Assets (Net of Accumulated Depreciation)	1,714,162	1,674,613	3,388,775	13,892,700
TOTAL ASSETS	\$ 8,000,644	\$ 3,956,777	\$ 11,957,421	\$ 23,253,459
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 168,404	\$ 3,077	\$ 171,481	\$ 53,838
Accrued Liabilities	42,715	-	42,715	11,673
Due to Governmental Units	-	9,542	9,542	-
Deferred Revenue	518,120	-	518,120	-
Installment Purchase Agreements Payable	-	-	-	1
Notes Payable	-	460,000	460,000	-
Compensated Absences	-	-	-	4,007
Non-current Liabilities:				
Compensated Absences	3,577	-	3,577	226,624
TOTAL LIABILITIES	732,816	472,619	1,205,435	296,143
NET ASSETS:				
Invested in Capital Assets (net of related debt)	2,462,262	2,198,313	4,660,575	20,685,110
Restricted for County Road	-	-	-	2,143,205
Restricted for Special Projects	2,411,793	-	2,411,793	-
Unrestricted	2,393,773	1,285,845	3,679,618	129,001
TOTAL NET ASSETS	\$ 7,267,828	\$ 3,484,158	\$ 10,751,986	\$ 22,957,316

County of Presque Isle, Michigan

Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 86,770	\$ -	\$ -	\$ -	\$ (86,770)	\$ -	\$ (86,770)	\$ -
Judicial	773,672	233,662	257,707	-	(282,303)	-	(282,303)	-
General Government	1,213,966	228,003	249,044	-	(736,919)	-	(736,919)	-
Public Safety	1,393,452	115,843	280,290	-	(997,319)	-	(997,319)	-
Health & Welfare	856,602	68,897	227,326	-	(560,379)	-	(560,379)	-
Community & Economic Development	161,645	67,060	78,456	-	(16,129)	-	(16,129)	-
Recreation & Culture	73,457	451	11,251	-	(61,755)	-	(61,755)	-
Other	1,399,307	-	5,176	-	(1,394,131)	-	(1,394,131)	-
Depreciation - Unallocated	29,223	-	-	-	(29,223)	-	(29,223)	-
Total Governmental Activities	5,988,094	713,916	1,109,250	-	(4,164,928)	-	(4,164,928)	-
Business-type activities:								
Airport	165,476	59,319	-	-	-	(106,157)	(106,157)	-
Tax Collection	166,967	278,224	-	-	-	111,257	111,257	-
Total Business-type Activities	332,443	337,543	-	-	-	5,100	5,100	-
Total Primary Government	\$ 6,320,537	\$ 1,051,459	\$ 1,109,250	\$ -	(4,164,928)	5,100	(4,159,828)	-
Component Units:								
Road Commission	\$ 3,570,793	\$ 560,185	\$ 3,711,809	\$ -				701,201
Economic Development	3,999	3,354	-	-				(645)
Total Component Units	3,574,792	563,539	3,711,809	-				700,556
Total	\$ 9,895,329	\$ 1,614,998	\$ 4,821,059	\$ -				
General Revenues:								
Taxes					4,651,441	-	4,651,441	-
Other					219,846	176,078	395,924	167,230
Investment Earnings (Loss)					125,775	15,642	141,417	62,236
Transfers					138,500	(138,500)	-	-
Total General Revenues and Transfers					5,135,562	53,220	5,188,782	229,466
Changes in Net Assets					970,634	58,320	1,028,954	930,022
Net Assets - Beginning					6,259,983	3,425,838	9,685,821	22,027,294
Prior Period Adjustment					37,211	-	37,211	-
Net Assets - Ending					\$ 7,267,828	\$ 3,484,158	\$ 10,751,986	\$ 22,957,316

See accompanying notes to financial statements.

County of Presque Isle, Michigan

Balance Sheet Governmental Funds December 31, 2006

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Investments	\$ 1,329,359	\$ 1,453,842	\$ 43,863	\$ 2,453	\$ 749,439	\$ 3,578,956
Receivables:						
Taxes	280,088	957,951	120,492	286,886	-	1,645,417
Loans	-	-	-	-	72,819	72,819
Prepaid Expenditures	51,987	-	-	-	-	51,987
Due from Governmental Units	46,658	-	-	-	109,215	155,873
TOTAL ASSETS	\$ 1,708,092	\$ 2,411,793	\$ 164,355	\$ 289,339	\$ 931,473	\$ 5,505,052
LIABILITIES:						
Accounts Payable	66,957	-	6,963	-	93,578	167,498
Accrued Liabilities	35,111	-	1,958	-	5,646	42,715
Deferred Revenue	110,742	-	120,492	286,886	72,819	590,939
TOTAL LIABILITIES	212,810	-	129,413	286,886	172,043	801,152
FUND BALANCES:						
Reserved	-	2,411,793	-	-	-	2,411,793
Unreserved:						
Designated for Special Purposes	-	-	34,942	2,453	772,729	810,124
Undesignated	1,495,282	-	-	-	(13,299)	1,481,983
TOTAL FUND BALANCES	1,495,282	2,411,793	34,942	2,453	759,430	4,703,900
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,708,092	\$ 2,411,793	\$ 164,355	\$ 289,339	\$ 931,473	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	2,441,832
Compensated absences liability	(3,577)
Other long-term assets not available to pay current expenditures and therefore deferred in the funds	72,819
Internal service funds included in governmental activities	52,854
Net assets of governmental activities	\$ 7,267,828

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2006

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:						
Taxes	\$ 3,299,502	\$ 957,451	\$ 133,784	\$ 260,704	\$ -	\$ 4,651,441
Licenses & Permits	5,868	-	-	-	-	5,868
Federal Sources	22,056	-	-	-	217,554	239,610
State Sources	410,569	-	-	49,608	366,388	826,565
Local Sources	-	-	-	-	51,741	51,741
Charges for Services	439,936	-	-	-	290,956	730,892
Interest & Rentals	65,724	51,557	1,735	10	22,226	141,252
Fines and Forfeitures	6,261	-	-	-	2,326	8,587
Other Revenue	177,393	-	-	-	26,976	204,369
TOTAL REVENUES	4,427,309	1,009,008	135,519	310,322	978,167	6,860,325
EXPENDITURES:						
Legislative	86,770	-	-	-	-	86,770
Judicial	613,071	-	-	-	160,351	773,422
General Government	995,636	-	-	-	162,956	1,158,592
Public Safety	1,031,962	-	127,015	-	117,660	1,276,637
Health & Welfare	41,777	-	-	308,230	506,339	856,346
Community & Economic Development	-	-	-	-	161,645	161,645
Recreation & Cultural	-	-	-	-	38,969	38,969
Capital Outlay	-	-	-	-	91,897	91,897
Debt Service	-	-	-	-	26,510	26,510
Other Expenditures	1,286,768	-	-	-	112,539	1,399,307
TOTAL EXPENDITURES	4,055,984	-	127,015	308,230	1,378,866	5,870,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	371,325	1,009,008	8,504	2,092	(400,699)	990,230
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	258,910	-	-	-	524,700	783,610
Operating Transfers Out	(351,200)	(258,910)	-	-	(50,000)	(660,110)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	279,035	750,098	8,504	2,092	74,001	1,113,730
FUND BALANCES, JANUARY 1	1,216,247	1,661,695	26,438	361	648,218	3,552,959
Prior Period Adjustment	-	-	-	-	37,211	37,211
FUND BALANCES, DECEMBER 31	\$ 1,495,282	\$ 2,411,793	\$ 34,942	\$ 2,453	\$ 759,430	\$ 4,703,900

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006**

Net Changes in fund balances - total governmental funds \$ 1,113,730

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$139,883) exceeded capital outlay (\$42,400) in the current period. (97,483)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(529)
Deferred Revenues recognized as earned income.	(40,097)
Internal Service Activity	<u>(4,987)</u>

Changes in net assets of governmental activities	<u>\$ 970,634</u>
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County of Presque Isle, Michigan

Statement of Net Assets Proprietary Funds December 31, 2006

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business-Type	Internal Service Fund
	Tax Collections	Airport		
ASSETS:				
Cash & Investments	\$ 1,152,256	\$ 5,985	\$ 1,158,241	\$ 33,330
Taxes Receivable	497,756	-	497,756	-
Accrued Interest Receivable	59,620	-	59,620	-
Due from Other Funds	35,000	-	35,000	-
Due from Other Governmental Units	42,847	-	42,847	-
Capital Assets, net of accumulated depreciation	-	2,198,313	2,198,313	20,430
TOTAL ASSETS	\$ 1,787,479	\$ 2,204,298	\$ 3,991,777	\$ 53,760
LIABILITIES:				
Due to Other Funds	\$ -	\$ 35,000	\$ 35,000	\$ -
Accounts Payable	-	3,077	3,077	906
Due to Other Governmental Units	9,542	-	9,542	-
Notes Payable	460,000	-	460,000	-
TOTAL LIABILITIES	469,542	38,077	507,619	906
NET ASSETS:				
Invested in Capital Assets (net of related debt)	-	2,198,313	2,198,313	-
Unrestricted	1,317,937	(32,092)	1,285,845	52,854
TOTAL NET ASSETS	\$ 1,317,937	\$ 2,166,221	\$ 3,484,158	\$ 52,854

County of Presque Isle, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2006

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business- Type	Internal Service Fund
	Tax Collections	Airport		
OPERATING REVENUES:				
Charges for Services	\$ 278,224	\$ 59,319	\$ 337,543	\$ 26,821
Interest & Rentals	170,033	-	170,033	-
Other Revenue	2,068	3,977	6,045	-
Total Operating Revenues	450,325	63,296	513,621	26,821
OPERATING EXPENSES:				
Personal Services	-	6,685	6,685	-
Utilities	-	9,191	9,191	-
Depreciation	-	111,401	111,401	12,545
Repairs and Maintenance	-	27,439	27,439	22,675
Other Supplies and Expenses	-	5,960	5,960	7,017
Professional and Contractual Services	-	300	300	5,794
General and Administrative	160,155	4,500	164,655	-
Total Operating Expenses	160,155	165,476	325,631	48,031
OPERATING INCOME (LOSS)	290,170	(102,180)	187,990	(21,210)
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	15,612	30	15,642	1,223
Interest Expense	(6,812)	-	(6,812)	-
Total Non-operating Revenues (Expenses)	8,800	30	8,830	1,223
Income (loss) before transfers	298,970	(102,150)	196,820	(19,987)
Operating Transfers In	91,312	41,500	132,812	15,000
Operating Transfers Out	(214,112)	(57,200)	(271,312)	-
CHANGES IN NET ASSETS	176,170	(117,850)	58,320	(4,987)
NET ASSETS, JANUARY 1	1,141,767	2,284,071	3,425,838	57,841
NET ASSETS, DECEMBER 31	<u>\$ 1,317,937</u>	<u>\$ 2,166,221</u>	<u>\$ 3,484,158</u>	<u>\$ 52,854</u>

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2006

	Business - Type Activities		Governmental Activities	
	Enterprise Funds		Internal Service Fund	
	Tax Collections	Airport	Total Business-Type	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 1,610,506	\$ 63,296	\$ 1,673,802	\$ 27,584
Payments to Suppliers	(1,441,545)	(45,185)	(1,486,730)	(35,486)
Payments to Employees	-	(6,685)	(6,685)	-
Internal Activity - Payments/Receipts with Other Funds	(93,238)	-	(93,238)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>75,723</u>	<u>11,426</u>	<u>87,149</u>	<u>(7,902)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in	91,312	41,500	132,812	15,000
Operating transfers out	(214,112)	(57,200)	(271,312)	-
<i>Net Cash Provided (Used) by Noncapital Financing Activities</i>	<u>(122,800)</u>	<u>(15,700)</u>	<u>(138,500)</u>	<u>15,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Notes	935,000	-	935,000	-
Purchase of capital assets	-	-	-	(3,109)
Interest Payments	(6,812)	-	(6,812)	-
Principal Payments	(785,000)	-	(785,000)	-
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	<u>143,188</u>	<u>-</u>	<u>143,188</u>	<u>(3,109)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	<u>15,612</u>	<u>30</u>	<u>15,642</u>	<u>1,223</u>
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>15,612</u>	<u>30</u>	<u>15,642</u>	<u>1,223</u>
Net Increase (Decrease) in Cash and Cash Equivalents	111,723	(4,244)	107,479	5,212
Balances - Beginning of the Year	<u>1,040,533</u>	<u>10,229</u>	<u>1,050,762</u>	<u>28,118</u>
Balances - End of the Year	<u>\$ 1,152,256</u>	<u>\$ 5,985</u>	<u>\$ 1,158,241</u>	<u>\$ 33,330</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 290,170	\$ (102,180)	\$ 187,990	\$ (21,210)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	111,401	111,401	12,545
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Taxes Receivable	(44,957)	-	(44,957)	-
Accrued Interest Receivables	(59,620)	-	(59,620)	-
Due from Other Governmental Units	(17,167)	-	(17,167)	-
Increase(Decrease) in Liabilities:				
Due to Other Funds	(93,238)	-	(93,238)	-
Accounts Payable	-	2,205	2,205	763
Due to Other Governmental Units	535	-	535	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 75,723</u>	<u>\$ 11,426</u>	<u>\$ 87,149</u>	<u>\$ (7,902)</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	Private Purpose Employee Retirement	Agency Funds
ASSETS:		
Cash & Equivalents:		
Unrestricted	\$ 5,016	\$ 665,666
 TOTAL ASSETS	 <u>\$ 5,016</u>	 <u>\$ 665,666</u>
 LIABILITIES:		
Due to Other Governmental Units	\$ -	\$ 178,697
Undistributed Tax Collections	-	198,146
Undistributed Receipts	<u>-</u>	<u>288,823</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>\$ 665,666</u>
 NET ASSETS:		
Held in Trust for Other Purposes	<u>\$ 5,016</u>	

**Statement of Changes in
Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2006**

	<u>Private Purpose Employee Retirement</u>
ADDITIONS:	
Contributions:	
Employer & Employee	<u>\$ 253,384</u>
Total Contributions	<u>253,384</u>
DEDUCTIONS:	
Benefits	<u>255,704</u>
Total Deductions	<u>255,704</u>
Changes in Net Assets	(2,320)
Net Assets, Beginning of the Year	<u>7,336</u>
Net Assets, End of the Year	<u><u>\$ 5,016</u></u>

Component Units

County of Presque Isle, Michigan

Statement of Net Assets Component Units December 31, 2006

	Road Commission	Economic Development Corporation	Totals
ASSETS:			
Cash & Equivalents - Unrestricted	\$ 1,304,752	\$ 45,100	\$ 1,349,852
Receivables:			
Interest	-	-	-
Accounts	504,750	-	504,750
Notes	-	83,901	83,901
Inventory	590,039	-	590,039
Prepaid Expense	39,806	-	39,806
Capital Assets (net)	20,607,121	77,990	20,685,111
TOTAL ASSETS	\$ 23,046,468	\$ 206,991	\$ 23,253,459
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 53,838	\$ -	\$ 53,838
Accrued Liabilities	11,673	-	11,673
Compensated Absences - Current	4,007	-	4,007
Installment Purchase Agreements Payable	1	-	1
Total Current Liabilities	69,519	-	69,519
Non-current Liabilities:			
Compensated Absences	226,624	-	226,624
TOTAL LIABILITIES	296,143	-	296,143
NET ASSETS:			
Invested in Capital Assets, net of related debt	20,607,120	77,990	20,685,110
Restricted for County Road	2,143,205	-	2,143,205
Unrestricted	-	129,001	129,001
TOTAL NET ASSETS	22,750,325	206,991	22,957,316
TOTAL LIABILITIES AND NET ASSETS	\$ 23,046,468	\$ 206,991	\$ 23,253,459

County of Presque Isle, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
Road Commission:							
Public Works	\$ 3,570,793	\$ 560,185	\$ 3,711,809	\$ -	\$ 701,201	\$ -	\$ 701,201
Economic Development Corporation							
Community/Economic Development	3,999	3,354	-	-	-	(645)	(645)
Total Component Units	<u>\$ 3,574,792</u>	<u>\$ 563,539</u>	<u>\$ 3,711,809</u>	<u>\$ -</u>	<u>701,201</u>	<u>(645)</u>	<u>700,556</u>
General Revenues:							
Investment Earnings					60,851	1,385	62,236
Other					100,582	93	100,675
Gain on Disposal of Assets					66,555	-	66,555
Total General Revenues					<u>227,988</u>	<u>1,478</u>	<u>229,466</u>
Changes in Net Assets					929,189	833	930,022
Net Assets - Beginning					<u>21,821,136</u>	<u>206,158</u>	<u>22,027,294</u>
Net Assets - Ending					<u>\$ 22,750,325</u>	<u>\$ 206,991</u>	<u>\$ 22,957,316</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Presque Isle, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

Presque Isle County was established under the authority granted by the Constitution and the State of Michigan. The County is governed by an elected Board of Commissioners consisting of five members. The County provides services to its residents in many areas including law enforcement, fire protection, community enrichment and development, and human services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. The criteria was established for various governmental organizations to be included in the reporting entity's financial statement based on legal separation, financial accountability, and fiscal dependency.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County Development Commission:

The financial statements include the financial data of the Presque Isle County Development Commission ("Development Commission"). The Development Commission is an entity legally separate from the County, organized under the authority of Public Act 46 of 1966. It is governed by a Board appointed by the County Commission and is fiscally dependent of the County. Its primary purpose is to promote economic development within the County of Presque Isle. As such, it is reported as a Special Revenue Fund of the County; that is, a blended component unit.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of those component units:

Road Commission:

The basic financial statements include the financial data of the County's component unit, the Presque Isle County Road Commission (the "Road Commission"). This unit is reported in a separate column to emphasize that it is legally separate from the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County appoints a majority of the members of the governing board of the Road Commission. The County also has the ability to significantly influence the operations of the Road Commission and must approve bonded debt. A complete financial statement of the Road Commission can be obtained from the Presque Isle County Road Commission, 657 S. Bradley Highway, Rogers City, Michigan, 49779.

Economic Development Corporation of Presque Isle County (EDCPIC):

The EDCPIC was created on June 29, 2000 pursuant to the provisions of the Economic Development Corporations Act, Act No. 338, Public Acts of 1974, as amended. The EDCPIC is an entity legally separate from the County. It is governed by a Board appointed by the County Commission and is fiscally independent of the County. Its primary purpose is to promote economic development within the County of Presque Isle.

Multi-County Agencies

The County participates jointly in the operation of the District Health Department #4 with Alpena, Cheboygan, and Montmorency Counties. All financial operations of the District Health Department are recorded in Alpena County. The funding formula requires the County to provide approximately 18% of the budget appropriations requirement, which amounted to \$113,214 for the year ended December 31, 2006.

The County participates jointly in the operation of the Northeast Michigan Community Mental Health Authority with Alpena, Alcona, and Montmorency Counties. All financial operations of the Authority are recorded in Alpena County. The funding formula requires the County to provide approximately 22% of the budget appropriation requirement, which amounted to \$43,599 for the year ended December 31, 2006.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Presque Isle property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Presque Isle as of the preceding December 31st.

Although the County of Presque Isle 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Presque Isle's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2005 taxable valuation of the County of Presque Isle totaled \$535,956,299, on which ad valorem taxes levied consisted of 3.7486 mills for the County operating, .2480 mills H.U.N.T. and .4827 for Senior Citizen. These amounts are recognized in the respective General and Special Revenue Fund financial statements as revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The July 1, 2006 taxable valuation of the County of Presque Isle totaled \$573,812,203, on which ad valorem taxes levied consisted of 3.7234 mills for the General Fund, this amount is recognized in the General Fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

S.R.O. – H.U.N.T.

This fund accounts for the collection of the tax mileage for the School Resource Officer and Huron Uncover Narcotics Team.

Senior Citizen

This fund accounts for the operation of the senior citizen program.

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the County.

Airport Fund

This fund accounts for airport operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

Internal Service Fund

This fund accounts for purchases of data processing equipment for the various departments of the government.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

Private Purpose Trust Fund

This fund accounts for fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D - Assets, Liabilities, and Net Assets or Equity**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Compensated Absences: - Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Vacation days must be used each year, prior to the employee’s anniversary date of employment. County employees are given (12) twelve days of sick time when hired. They may accumulate ½ day each month. Every January employees are paid 50% of any unused sick leave accumulated over the twelve days.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Investments -					
Unrestricted	\$ 3,575,075	\$ 1,158,241	\$ 4,733,316	\$ 670,682	\$ 1,349,852
Restricted	<u>37,211</u>	<u>-</u>	<u>37,211</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,612,286</u>	<u>\$ 1,158,241</u>	<u>\$ 4,770,527</u>	<u>\$ 670,682</u>	<u>\$ 1,349,852</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit, mutual funds)	\$ 4,767,282	\$ 670,682	\$ 1,349,652
Petty Cash and Cash on Hand	<u>3,245</u>	<u>-</u>	<u>200</u>
Total	<u>\$ 4,770,527</u>	<u>\$ 670,682</u>	<u>\$ 1,349,652</u>

Cash is restricted in the Community Development Commission for future community development.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the County's Primary Government has the following investments at fair value

	<u>Fair Value</u>	<u>Concentration</u>	<u>Rating</u>
Primary Government:			
Mutual Funds	\$ <u>2,013,264</u>	100%	A

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$5,196,392 of the County's bank balance of \$5,619,915 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. Custodial investment credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$2,013,264 in investments, \$0 is not in the name of the County, but in the name of the agent.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds are as follows:

	General Fund	Revenue Sharing Reserve	S.R.O. - H.U.N.T.	Senior Citizen	Tax Collections	Non-Major and Other Funds	Total
Receivables:							
Taxes	\$ 280,088	\$ 957,951	\$ 120,492	\$ 286,886	\$ 497,756	\$ -	\$ 2,143,173
Loans	-	-	-	-	-	72,819	72,819
Accrued Interest	-	-	-	-	59,620	-	59,620
Due from Others	46,658	-	-	-	42,847	109,215	198,720
Net Receivables	<u>\$ 326,746</u>	<u>\$ 957,951</u>	<u>\$ 120,492</u>	<u>\$ 286,886</u>	<u>\$ 600,223</u>	<u>\$ 182,034</u>	<u>\$ 2,474,332</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 748,100	\$ -	\$ -	\$ 748,100
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	2,162,933	-	-	2,162,933
Machinery and equipment	<u>1,156,331</u>	<u>45,509</u>	<u>(51,680)</u>	<u>1,150,160</u>
Subtotal	<u>3,319,264</u>	<u>45,509</u>	<u>(51,680)</u>	<u>3,313,093</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Building Improvements	836,137	38,160	-	874,297
Machinery and equipment	<u>662,046</u>	<u>114,268</u>	<u>(51,680)</u>	<u>724,634</u>
Subtotal	<u>1,498,183</u>	<u>152,428</u>	<u>(51,680)</u>	<u>1,598,931</u>
Net Capital Assets Being Depreciated	<u>1,821,081</u>	<u>(106,919)</u>	<u>-</u>	<u>1,714,162</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 2,569,181</u>	<u>\$ (106,919)</u>	<u>\$ -</u>	<u>\$ 2,462,262</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 523,700	\$ -	\$ -	\$ 523,700
<i>Capital assets being depreciated:</i>				
Land and improvements	1,990,950	-	-	1,990,950
Building and Building Improvements	45,000	-	-	45,000
Equipment	<u>162,000</u>	<u>-</u>	<u>-</u>	<u>162,000</u>
Subtotal	<u>2,197,950</u>	<u>-</u>	<u>-</u>	<u>2,197,950</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	354,292	99,548	-	453,840
Buildings and Building Improvements	25,244	1,053	-	26,297
Equipment	<u>32,400</u>	<u>10,800</u>	<u>-</u>	<u>43,200</u>
Subtotal	<u>411,936</u>	<u>111,401</u>	<u>-</u>	<u>523,337</u>
Net Capital Assets Being Depreciated	<u>1,786,014</u>	<u>(111,401)</u>	<u>-</u>	<u>1,674,613</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 2,309,714</u>	<u>\$ (111,401)</u>	<u>\$ -</u>	<u>\$ 2,198,313</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Judicial	\$ 319
General Government	21,343
Public Safety	66,799
Health and Welfare	256
Park and Recreation	34,488
Unallocated	<u>29,223</u>
Total Governmental Activities	<u>\$ 152,428</u>
Business Activities:	
Airport	<u>\$ 111,401</u>

The following is a summary of changes in capital assets for the Presque Isle County Road Commission:

	Beginning Balances 01/01/06	Additions	Adjustments/ Deductions	Ending Balances 12/31/06
<i>Capital Assets Not Being Depreciated:</i>				
Land and Improvements - Infrastructure	\$ 6,709,951	\$ -	\$ -	\$ 6,709,951
Land and Improvements - Other	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
Subtotal	<u>6,714,421</u>	<u>-</u>	<u>-</u>	<u>6,714,421</u>
<i>Capital Assets Being Depreciated:</i>				
Depletable Assets	199,686	-	-	199,686
Buildings	856,374	-	-	856,374
Road Equipment	4,570,957	23,225	74,166	4,520,016
Shop Equipment	63,155	-	-	63,155
Office Equipment	13,903	-	-	13,903
Engineers Equipment	14,970	-	-	14,970
Infrastructure – Bridges	3,593,510	-	-	3,593,510
Infrastructure - Roads	<u>19,109,650</u>	<u>2,097,477</u>	<u>-</u>	<u>21,207,127</u>
Subtotal	<u>28,422,205</u>	<u>2,120,702</u>	<u>74,166</u>	<u>30,468,741</u>
<i>Less Accumulated Depreciation:</i>				
Depletable Assets	82,846	290	-	83,136
Buildings	578,995	19,197	-	598,192
Road Equipment	3,749,917	324,114	74,166	3,999,865
Shop Equipment	50,708	2,692	-	53,400
Office Equipment	7,574	1,460	-	9,034
Engineers Equipment	12,124	1,247	-	13,371
Infrastructure – Bridges	1,985,182	51,795	-	2,036,977
Infrastructure - Roads	<u>8,791,021</u>	<u>991,045</u>	<u>-</u>	<u>9,782,066</u>
Subtotal	<u>15,258,367</u>	<u>1,391,840</u>	<u>74,166</u>	<u>16,576,041</u>
Net Capital Assets Being Depreciated	<u>13,163,838</u>	<u>728,862</u>	<u>-</u>	<u>13,892,700</u>
Total Net Capital Assets	<u>\$ 19,878,259</u>	<u>\$ 728,862</u>	<u>\$ -</u>	<u>\$ 20,607,121</u>

NOTE 5 - CAPITAL ASSETS (Continued)

The following is a summary of changes for the Economic Development Corporation of Presque Isle County:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ <u>77,990</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>77,990</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM		DUE TO OTHER FUNDS
		<u>Tax Collections</u>
Airport		\$ <u>35,000</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

TRANSFERS OUT							
TRANSFERS IN		General Fund	Revenue Sharing Reserve	Tax Collections	Airport	All Others	Total
	General Fund	\$ -	\$ 258,910	\$ -	\$ -	\$ -	\$ 258,910
	Tax Collections	-	-	4,112	57,200	30,000	91,312
	Airport	41,500	-	-	-	-	41,500
	Internal Service	15,000	-	-	-	-	15,000
	All Other	294,700	-	210,000	-	20,000	524,700
	Total	\$ 351,200	\$ 258,910	\$ 214,112	\$ 57,200	\$ 50,000	\$ 931,422

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities							
Tax Anticipation Notes:							
2005 Tax Notes Series	variable*	2006	310,000	-	(310,000)	-	-
2006 Tax Notes Series	variable*	2007	<u>-</u>	<u>935,000</u>	<u>(475,000)</u>	<u>460,000</u>	<u>460,000</u>
Total Business-Type Activities			<u>\$ 310,000</u>	<u>\$ 935,000</u>	<u>\$ (785,000)</u>	<u>\$ 460,000</u>	<u>\$ 460,000</u>

* Interest payments vary according to payment dates and interest rates.

A summary of vested benefits payable at December 31, 2006 is as follows:

Sick Leave, January 1, 2006	\$ 3,048
Increases	529
Decreases	<u>-</u>
Sick Leave, December 31, 2006	<u>\$ 3,577</u>

NOTE 8 - RISK MANAGEMENT

The County of Presque Isle signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2006.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2006 is as follows:

Courthouse Employees	9.30%
Sheriff Department	7.19%
Jail	7.70%
Elected and Appointed Officials	10.28%
Commissioners	65.66%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)Annual Pension Cost

During the year ended December 31, 2006, the County's contributions totaling \$200,864 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 5,236,743	\$ 5,672,177	\$ 6,038,316
Actuarial Accrued Liability	6,154,873	6,592,720	7,077,866
Unfunded AAL	918,130	920,543	1,039,550
Funded Ratio	85%	86%	85%
Covered Payroll	1,779,910	1,846,977	1,978,875
UAAL as a Percentage of Covered Payroll	52%	50%	53%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 148,505	100%	0
2005	176,696	100%	0
2006	200,864	100%	0

ROAD COMMISSIONDescription of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require general employees to contribute to the plan, the Commissioners contribute at a rate of three percent. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 16.52 percent for general employees and 12.58 percent for covered commissioners.

Annual Pension Cost

For year ended December 31, 2006, the Presque Isle County Road Commission's pension cost of \$157,581 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2004, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 5,864,209	\$ 5,971,013	\$ 5,990,705
Actuarial Accrued Liability	7,251,042	7,629,424	7,956,083
Unfunded AAL	1,386,833	1,658,411	1,965,378
Funded Ratio	81%	78%	75%
Covered Payroll	1,043,120	1,031,739	950,666
UAAL as a Percentage of Covered Payroll	133%	161%	207%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 172,362	100%	0
2004	153,246	100%	0
2005	145,842	100%	0

NOTE 11 - RELATED PARTIES

The County conducts business with various local financial institutions as the County's depositories. Specifically, Huron National Bank and Citizen's National Bank hold deposits of the County, which at December 31, 2006 amounted to \$2,158,398 and \$711,571, respectively. Several County Commissioners and the County Treasurer are stockholders in Huron National Bank. Additionally, some County Commissioners own stock in Citizen's National Bank.

NOTE 12 - NOTES RECEIVABLE

The following is a summary of the notes receivable:

	<u>Balance 01/01/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>
Economic Development	<u>\$ 68,963</u>	<u>\$ 40,000</u>	<u>\$ (25,062)</u>	<u>\$ 83,901</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The bank account balance for the Community Development Commission was not recorded on the books in prior years. At December 31, 2006 a prior period adjustment of \$37,211 was made to begin recording the cash and all activity on the County records. The cumulative effect on prior years excess revenues was \$37,211.

NOTE 14 - DEFICIT FUND EQUITY BALANCES

A fund equity deficit existed in the following funds as indicated:

Resource Recovery	\$ 1,050
Building and Zoning	383
Child Care	11,758
Employee Termination	107

The County plans to recover these deficits with transfers from the general fund.

NOTE 15 - FUND EQUITY DESIGNATIONS/RESERVATIONS

Fund equity designations can be described as follows:

Special Revenue	\$ 767,393	Designated for Fund Purpose
Capital Projects	42,731	Designated for Capital Projects

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 2,411,793	Reserved for Revenue Sharing
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Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,141,666	\$ 3,195,254	\$ 3,299,502	\$ 104,248
Licenses & Permits	6,600	5,808	5,868	60
Federal Sources	32,592	19,535	22,056	2,521
State Sources	349,179	403,739	410,569	6,830
Charges for Services	433,703	439,936	439,936	-
Interest & Rentals	60,500	65,724	65,724	-
Fines & Forfeitures	6,600	6,261	6,261	-
Other Revenue	170,455	177,393	177,393	-
TOTAL REVENUES	4,201,295	4,313,650	4,427,309	113,659
EXPENDITURES:				
Legislative:				
Board of Commissioners	79,150	83,450	86,770	(3,320)
Judicial:				
Circuit Court	199,965	183,470	187,507	(4,037)
Family Court	109,674	113,674	109,312	4,362
District Court	146,343	146,343	146,417	(74)
Jury Board	4,530	4,675	4,672	3
Probate Court	112,174	117,884	118,304	(420)
Circuit Court Probation	9,000	9,000	5,706	3,294
Negotiations	3,500	19,360	19,360	-
Public Guardian	22,400	22,400	21,793	607
Total Judicial	607,586	616,806	613,071	3,735
General Government:				
County Clerk	170,633	171,138	173,337	(2,199)
Equalization	121,287	121,287	123,491	(2,204)
Prosecuting Attorney	257,984	256,984	235,657	21,327
County Surveyor	34,891	92,795	59,689	33,106
Treasurer	92,012	98,039	97,979	60
Cooperative Extension	76,115	76,115	67,333	8,782
Buildings & Grounds	123,343	127,002	136,673	(9,671)
Register of Deeds	93,034	93,034	91,453	1,581
Plat Board	300	300	9,784	(9,484)
Drain Commissioner	12,080	12,080	240	11,840
Total General Government	981,679	1,048,774	995,636	53,138

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff/Marine/Snowmobile/Road	590,435	601,469	579,705	21,764
D.A.R.E.	33,190	49,000	50,249	(1,249)
Corrections - Jail	328,545	332,410	342,292	(9,882)
Emergency Services	10,320	10,595	10,494	101
Contagious Disease	500	500	77	423
Animal Control	49,920	49,920	49,145	775
Total Public Safety	1,012,910	1,043,894	1,031,962	11,932
Health & Welfare:				
Medical Examiner	15,400	22,297	23,364	(1,067)
State Institutions	1,000	2,650	4,694	(2,044)
Veterans Services	16,350	16,350	13,719	2,631
Total Health & Welfare	32,750	41,297	41,777	(480)
Other Expenditures:				
Health Insurance	550,000	553,243	553,973	(730)
Social Security	172,000	172,000	170,609	1,391
Retirement Benefits	163,356	187,117	200,864	(13,747)
Bonds and Insurance	127,100	132,860	131,319	1,541
Duplicating	18,100	18,100	14,929	3,171
Contingencies	134,922	405	-	405
Communications	26,500	26,500	22,165	4,335
Appropriations to Other Governmental Units	192,652	184,559	192,909	(8,350)
Total Other Expenditures	1,384,630	1,274,784	1,286,768	(11,984)
TOTAL EXPENDITURES	4,098,705	4,109,005	4,055,984	53,021
EXCESS OF REVENUES OVER EXPENDITURES	102,590	204,645	371,325	166,680
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	258,910	258,910	258,910	-
Operating Transfers Out	(361,500)	(351,200)	(351,200)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 112,355	279,035	\$ 166,680
FUND BALANCE, JANUARY 1			1,216,247	
FUND BALANCE, DECEMBER 31			\$ 1,495,282	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 957,451	\$ 957,451	\$ 957,451	\$ -
Interest & Rentals	59,800	51,557	51,557	-
TOTAL REVENUES	1,017,251	1,009,008	1,009,008	-
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(258,910)	(258,910)	(258,910)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 758,341</u>	<u>\$ 750,098</u>	750,098	<u>\$ -</u>
FUND BALANCE, JANUARY 1			<u>1,661,695</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,411,793</u>	

County of Presque Isle, Michigan

Required Supplementary Information Budgetary Comparison Schedule S.R.O.-H.U.N.T. For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 132,917	\$ 133,784	\$ 133,784	\$ -
Interest & Rentals	1,300	1,735	1,735	-
TOTAL REVENUES	134,217	135,519	135,519	-
EXPENDITURES:				
Public Safety	132,618	132,618	127,015	5,603
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,599	\$ 2,901	8,504	\$ 5,603
FUND BALANCE, JANUARY 1			26,438	
FUND BALANCE, DECEMBER 31			\$ 34,942	

County of Presque Isle, Michigan

Required Supplementary Information Budgetary Comparison Schedule Senior Citizens For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 258,706	\$ 260,704	\$ 260,704	\$ -
State Sources	38,117	49,608	49,608	-
Interest & Rentals	100	10	10	-
 TOTAL REVENUES	 296,923	 310,322	 310,322	 -
EXPENDITURES:				
Health and Welfare	296,823	308,323	308,230	93
 EXCESS OF REVENUES OVER EXPENDITURES	 \$ 100	 \$ 1,999	 2,092	 \$ (93)
 FUND BALANCE, JANUARY 1			 361	
 FUND BALANCE, DECEMBER 31			 \$ 2,453	

Other Supplementary Information

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
ASSETS:									
Cash & Investments	\$ 3,611	\$ 23,037	\$ 2,780	\$ 113,670	\$ 81,752	\$ 1,873	\$ 14,382	\$ 12,026	\$ 1,133
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	25,035	24,322	-	-	-	-
TOTAL ASSETS	<u>\$ 3,611</u>	<u>\$ 23,037</u>	<u>\$ 2,780</u>	<u>\$ 138,705</u>	<u>\$ 106,074</u>	<u>\$ 1,873</u>	<u>\$ 14,382</u>	<u>\$ 12,026</u>	<u>\$ 1,133</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ 38	\$ 667	\$ 886	\$ 9,596	\$ 2,924	\$ -	\$ 7,287	\$ 403
Accrued Liabilities	-	-	-	3,585	948	-	-	-	1,113
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>38</u>	<u>667</u>	<u>4,471</u>	<u>10,544</u>	<u>2,924</u>	<u>-</u>	<u>7,287</u>	<u>1,516</u>
FUND BALANCES:									
Unreserved:									
Undesignated	-	-	-	-	-	(1,051)	-	-	(383)
Designated	3,611	22,999	2,113	134,234	95,530	-	14,382	4,739	-
TOTAL FUND BALANCES	<u>3,611</u>	<u>22,999</u>	<u>2,113</u>	<u>134,234</u>	<u>95,530</u>	<u>-</u>	<u>14,382</u>	<u>4,739</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,611</u>	<u>\$ 23,037</u>	<u>\$ 2,780</u>	<u>\$ 138,705</u>	<u>\$ 106,074</u>	<u>\$ 2,924</u>	<u>\$ 14,382</u>	<u>\$ 12,026</u>	<u>\$ 1,516</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	State Grants	Multi-County Grant	Children's Trust
ASSETS:									
Cash & Investments	\$ 60,951	\$ 70,375	\$ 765	\$ 14,827	\$ 2,627	\$ 778	\$ 22,174	\$ -	\$ 53
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	4,410	-	-
TOTAL ASSETS	<u>\$ 60,951</u>	<u>\$ 70,375</u>	<u>\$ 765</u>	<u>\$ 14,827</u>	<u>\$ 2,627</u>	<u>\$ 778</u>	<u>\$ 26,584</u>	<u>\$ -</u>	<u>\$ 53</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ 1,665	\$ -	\$ 51	\$ 1,456	\$ -	\$ 280	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,665</u>	<u>-</u>	<u>51</u>	<u>1,456</u>	<u>-</u>	<u>280</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Undesignated	-	-	-	-	-	-	-	-	-
Designated	60,951	68,710	765	14,776	1,171	778	26,304	-	53
TOTAL FUND BALANCES	<u>60,951</u>	<u>68,710</u>	<u>765</u>	<u>14,776</u>	<u>1,171</u>	<u>778</u>	<u>26,304</u>	<u>-</u>	<u>53</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,951</u>	<u>\$ 70,375</u>	<u>\$ 765</u>	<u>\$ 14,827</u>	<u>\$ 2,627</u>	<u>\$ 778</u>	<u>\$ 26,584</u>	<u>\$ -</u>	<u>\$ 53</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Emergency Services
ASSETS:									
Cash & Investments	\$ 107	\$ 22,068	\$ 21,723	\$ 14,739	\$ 331	\$ 7,228	\$ 71,450	\$ 12,147	\$ 120,115
Loan Receivable	-	-	-	-	-	-	-	-	72,819
Due from Governmental Units	-	38,841	-	16,607	-	-	-	-	-
TOTAL ASSETS	<u>\$ 107</u>	<u>\$ 60,909</u>	<u>\$ 21,723</u>	<u>\$ 31,346</u>	<u>\$ 331</u>	<u>\$ 7,228</u>	<u>\$ 71,450</u>	<u>\$ 12,147</u>	<u>\$ 192,934</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ 16	\$ 43,104	\$ -	\$ -	\$ 23,000	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	72,819
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>16</u>	<u>43,104</u>	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>72,819</u>
FUND BALANCES:									
Unreserved:									
Undesignated	-	-	-	(11,758)	-	-	-	-	-
Designated	107	60,909	21,707	-	331	7,228	48,450	12,147	120,115
TOTAL FUND BALANCES	<u>107</u>	<u>60,909</u>	<u>21,707</u>	<u>-</u>	<u>331</u>	<u>7,228</u>	<u>48,450</u>	<u>12,147</u>	<u>120,115</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107</u>	<u>\$ 60,909</u>	<u>\$ 21,723</u>	<u>\$ 43,104</u>	<u>\$ 331</u>	<u>\$ 7,228</u>	<u>\$ 71,450</u>	<u>\$ 12,147</u>	<u>\$ 192,934</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds	Debt Service Fund	Capital Project Funds		
	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
ASSETS:					
Cash & Investments	\$ 8,422	\$ 1,430	\$ 42,554	\$ 311	\$ 749,439
Loan Receivable	-	-	-	-	72,819
Due from Governmental Units	-	-	-	-	109,215
TOTAL ASSETS	<u>\$ 8,422</u>	<u>\$ 1,430</u>	<u>\$ 42,554</u>	<u>\$ 311</u>	<u>\$ 931,473</u>
LIABILITIES:					
Accounts Payable	\$ 534	\$ 1,537	\$ 134	\$ -	\$ 93,578
Accrued Liabilities	-	-	-	-	5,646
Deferred Revenue	-	-	-	-	72,819
TOTAL LIABILITIES	<u>534</u>	<u>1,537</u>	<u>134</u>	<u>-</u>	<u>172,043</u>
FUND BALANCES:					
Unreserved:					
Undesignated	-	(107)	-	-	(13,299)
Designated	7,888	-	42,420	311	772,729
TOTAL FUND BALANCES	<u>7,888</u>	<u>-</u>	<u>42,420</u>	<u>311</u>	<u>772,729</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,422</u>	<u>\$ 1,537</u>	<u>\$ 42,554</u>	<u>\$ 311</u>	<u>\$ 944,772</u>

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
REVENUES:									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 81,379	\$ -	\$ -	\$ -	\$ -
State Sources	-	101	-	122,708	48,525	-	2,995	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	48,366	8,580	-	-	-	61,001
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	-	1,829	33	3,215	2,396	215	431	477	-
Other Revenue	-	9,215	-	110	3,010	331	-	-	-
TOTAL REVENUES	-	11,145	33	174,399	143,890	546	3,426	477	61,001
EXPENDITURES:									
Judicial	-	-	-	-	145,426	-	-	-	-
General Government	-	42,150	-	-	-	-	-	-	83,376
Public Safety	-	-	-	95,346	-	-	-	-	-
Health and Welfare	-	-	-	-	-	50,160	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	11,754	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	112,539	-
Capital Outlay	-	-	249	2,852	-	-	1,753	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	42,150	12,003	98,198	145,426	50,160	1,753	112,539	83,376
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(31,005)	(11,970)	76,201	(1,536)	(49,614)	1,673	(112,062)	(22,375)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	5,000	11,500	-	-	45,000	-	85,000	21,200
Operating Transfers Out	-	-	-	-	-	-	-	(20,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(26,005)	(470)	76,201	(1,536)	(4,614)	1,673	(47,062)	(1,175)
FUND BALANCES, JANUARY 1	3,611	49,004	2,583	58,033	97,066	3,564	12,709	51,801	792
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
FUND BALANCES, DECEMBER 31	\$ 3,611	\$ 22,999	\$ 2,113	\$ 134,234	\$ 95,530	\$ (1,050)	\$ 14,382	\$ 4,739	\$ (383)

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	State Grants	Multi-County Grant	Children's Trust
REVENUES:									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,053	\$ -	\$ -
State Sources	-	-	-	3,090	-	-	-	-	-
Local Sources	41,508	-	-	2,810	-	7,423	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	1,875	-	-	-	-
Interest Income	2,260	1,420	-	293	-	-	-	-	-
Other Revenue	-	-	-	29	-	-	-	-	-
TOTAL REVENUES	43,768	1,420	-	6,222	1,875	7,423	49,053	-	-
EXPENDITURES:									
Judicial	-	-	-	-	14,925	-	-	-	-
General Government	30,007	-	-	-	-	7,423	-	-	-
Public Safety	-	-	-	2,879	-	-	12,192	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	53,203	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	32,588	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	30,007	53,203	-	2,879	14,925	7,423	44,780	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,761	(51,783)	-	3,343	(13,050)	-	4,273	-	-
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	40,000	-	2,000	14,000	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	13,761	(11,783)	-	5,343	950	-	4,273	-	-
FUND BALANCES, JANUARY 1	47,190	43,282	765	9,433	221	777	22,031	-	53
Prior Period Adjustment	-	37,211	-	-	-	-	-	-	-
FUND BALANCES, DECEMBER 31	\$ 60,951	\$ 68,710	\$ 765	\$ 14,776	\$ 1,171	\$ 777	\$ 26,304	\$ -	\$ 53

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Emergency Services
REVENUES:									
Federal Sources	\$ -	\$ 87,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	177,718	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	67,060	1,491	65,532	-	7,495	-	-	31,431
Fines and Forfeitures	-	-	-	-	-	-	-	451	-
Interest Income	-	-	1,004	326	-	114	799	1,286	3,797
Other Revenue	-	421	-	3,098	-	-	-	-	-
TOTAL REVENUES	-	154,603	2,495	246,674	-	7,609	799	1,737	35,228
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	7,243	-	-	-
Health and Welfare	-	-	11,256	444,523	400	-	-	-	-
Community and Economic Development	-	108,442	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	1,255	32,326	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	108,442	11,256	444,523	400	8,498	32,326	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	46,161	(8,761)	(197,849)	(400)	(889)	(31,527)	1,737	35,228
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	6,000	185,000	-	-	60,000	5,000	-
Operating Transfers Out	-	-	-	-	-	-	-	(30,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	46,161	(2,761)	(12,849)	(400)	(889)	28,473	(23,263)	35,228
FUND BALANCES, JANUARY 1	107	14,748	24,468	1,091	731	8,117	19,977	35,410	84,887
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
FUND BALANCES, DECEMBER 31	<u>\$ 107</u>	<u>\$ 60,909</u>	<u>\$ 21,707</u>	<u>\$ (11,758)</u>	<u>\$ 331</u>	<u>\$ 7,228</u>	<u>\$ 48,450</u>	<u>\$ 12,147</u>	<u>\$ 120,115</u>

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds	Debt Service Fund	Capital Project Funds		
	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
REVENUES:					
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 217,554
State Sources	-	-	11,251	-	366,388
Local Sources	-	-	-	-	51,741
Charges for Services	-	-	-	-	290,956
Fines and Forfeitures	-	-	-	-	2,326
Interest Income	8	30	2,293	-	22,226
Other Revenue	10,762	-	-	-	26,976
TOTAL REVENUES	10,770	30	13,544	-	978,167
EXPENDITURES:					
Judicial	-	-	-	-	160,351
General Government	-	-	-	-	162,956
Public Safety	-	-	-	-	117,660
Health and Welfare	-	-	-	-	506,339
Community and Economic Development	-	-	-	-	161,645
Recreation and Culture	27,215	-	-	-	38,969
Appropriations to Other Governmental Units	-	-	-	-	112,539
Capital Outlay	-	-	20,874	-	91,897
Debt Service	-	26,510	-	-	26,510
TOTAL EXPENDITURES	27,215	26,510	20,874	-	1,378,866
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,445)	(26,480)	(7,330)	-	(400,699)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	20,000	25,000	-	-	524,700
Operating Transfers Out	-	-	-	-	(50,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,555	(1,480)	(7,330)	-	74,001
FUND BALANCES, JANUARY 1	4,333	1,373	49,750	311	648,218
Prior Period Adjustment	-	-	-	-	37,211
FUND BALANCES, DECEMBER 31	\$ 7,888	\$ (107)	\$ 42,420	\$ 311	\$ 759,430

County of Presque Isle, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2006

	Homestead Denial	2004 Tax Revolving	2005 Tax Revolving	2006 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
ASSETS:								
Cash & Investments	\$ 2,101	\$ 35,683	\$ 75,936	\$ 1,359	\$ 516,810	\$ 1,322	\$ 519,045	\$ 1,152,256
Taxes Receivable	-	56,961	408,229	-	32,566	-	-	497,756
Accrued Interest Receivable	-	18,797	40,823	-	-	-	-	59,620
Due from Other Funds	-	-	-	-	35,000	-	-	35,000
Due from Other Governmental Units	-	11,220	23,547	-	6,369	-	1,711	42,847
TOTAL ASSETS	<u>\$ 2,101</u>	<u>\$ 122,661</u>	<u>\$ 548,535</u>	<u>\$ 1,359</u>	<u>\$ 590,745</u>	<u>\$ 1,322</u>	<u>\$ 520,756</u>	<u>\$ 1,787,479</u>
LIABILITIES:								
Due to Other Governmental Units	\$ 2,101	\$ -	\$ -	\$ 1,359	\$ 6,082	\$ -	\$ -	\$ 9,542
Notes Payable	-	-	460,000	-	-	-	-	460,000
TOTAL LIABILITIES	<u>2,101</u>	<u>-</u>	<u>460,000</u>	<u>1,359</u>	<u>6,082</u>	<u>-</u>	<u>-</u>	<u>469,542</u>
NET ASSETS:								
Unrestricted	-	122,661	88,535	-	584,663	1,322	520,756	1,317,937
TOTAL NET ASSETS	<u>-</u>	<u>122,661</u>	<u>88,535</u>	<u>-</u>	<u>584,663</u>	<u>1,322</u>	<u>520,756</u>	<u>1,317,937</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,101</u>	<u>\$ 122,661</u>	<u>\$ 548,535</u>	<u>\$ 1,359</u>	<u>\$ 590,745</u>	<u>\$ 1,322</u>	<u>\$ 520,756</u>	<u>\$ 1,787,479</u>

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2006

	Homestead Denial	2004 Tax Revolving	2005 Tax Revolving	2006 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
OPERATING REVENUES:								
Charges for Services	\$ -	\$ 11,421	\$ 37,717	\$ -	\$ 5,821	\$ -	\$ 223,265	\$ 278,224
Interest & Rentals	-	62,254	74,642	-	17,986	-	15,151	170,033
Other Revenue	-	-	-	-	1,788	-	280	2,068
TOTAL OPERATING REVENUES	-	73,675	112,359	-	25,595	-	238,696	450,325
OPERATING EXPENSES:								
General and Administrative	-	-	23,899	-	17,645	7,615	110,996	160,155
Total Operating Expenses	-	-	23,899	-	17,645	7,615	110,996	160,155
OPERATING INCOME (LOSS)	-	73,675	88,460	-	7,950	(7,615)	127,700	290,170
NON-OPERATING REVENUES (EXPENSES):								
Interest on Deposits	-	52	75	-	15,485	-	-	15,612
Interest Expense	-	(6,812)	-	-	-	-	-	(6,812)
Total Non-operating Revenues (Expenses)	-	(6,760)	75	-	15,485	-	-	8,800
Income (loss) before transfers	-	66,915	88,535	-	23,435	(7,615)	127,700	298,970
Operating Transfers In	-	-	-	-	87,200	4,112	-	91,312
Operating Transfers Out	-	-	-	-	(214,112)	-	-	(214,112)
CHANGES IN NET ASSETS	-	66,915	88,535	-	(103,477)	(3,503)	127,700	176,170
NET ASSETS, JANUARY 1	-	55,746	-	-	688,140	4,825	393,056	1,141,767
NET ASSETS, DECEMBER 31	\$ -	\$ 122,661	\$ 88,535	\$ -	\$ 584,663	\$ 1,322	\$ 520,756	\$ 1,317,937

County of Presque Isle, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	Homestead Denial	2004 Tax Revolving	2005 Tax Revolving	2006 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers	\$ -	\$ 340,719	\$ 919,189	\$ 1,359	\$ 110,543	\$ -	\$ 238,696	\$ 1,610,506
Payments to Suppliers	-	(252)	(1,304,647)	-	(17,645)	(7,615)	(111,386)	(1,441,545)
Internal Activity - Payments/Receipts with Other Funds	-	(25,238)	-	-	(68,000)	-	-	(93,238)
<i>Net Cash Provided (Used) by Operating Activities</i>	-	315,229	(385,458)	1,359	24,898	(7,615)	127,310	75,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Transfers In	-	-	-	-	87,200	4,112	-	91,312
Operating Transfers Out	-	-	-	-	(214,112)	-	-	(214,112)
<i>Net Cash Provided (Used) by Noncapital Financing Activities</i>	-	-	-	-	(126,912)	4,112	-	(122,800)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:								
Proceeds from Notes	-	-	935,000	-	-	-	-	935,000
Interest Paid	-	(6,812)	-	-	-	-	-	(6,812)
Principal Payments	-	(310,000)	(475,000)	-	-	-	-	(785,000)
<i>Net Cash Provided (Used) by Capital Financing Activities</i>	-	(316,812)	460,000	-	-	-	-	143,188
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	-	52	75	-	15,485	-	-	15,612
<i>Net Cash Provided (Used) by Investing Activities</i>	-	52	75	-	15,485	-	-	15,612
Net Increase (Decrease) in Cash and Cash Equivalents	-	(1,531)	74,617	1,359	(86,529)	(3,503)	127,310	111,723
Balances - Beginning of the Year	2,101	37,214	1,319	-	603,339	4,825	391,735	1,040,533
Balances - End of the Year	<u>\$ 2,101</u>	<u>\$ 35,683</u>	<u>\$ 75,936</u>	<u>\$ 1,359</u>	<u>\$ 516,810</u>	<u>\$ 1,322</u>	<u>\$ 519,045</u>	<u>\$ 1,152,256</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Operating Income (Loss)	\$ -	\$ 73,675	\$ 88,460	\$ -	\$ 7,950	\$ (7,615)	\$ 127,700	\$ 290,170
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
(Increase)Decrease in Assets:								
Taxes Receivable	-	282,266	(408,229)	-	81,006	-	-	(44,957)
Accrued Interest Receivables	-	(18,797)	(40,823)	-	-	-	-	(59,620)
Due from Other Governmental Units	-	3,575	(23,547)	-	3,195	-	(390)	(17,167)
Increase(Decrease) in Liabilities:								
Due to Other Governmental Units	-	(252)	(1,319)	1,359	747	-	-	535
Due to Other Funds	-	(25,238)	-	-	(68,000)	-	-	(93,238)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ -</u>	<u>\$ 315,229</u>	<u>\$ (385,458)</u>	<u>\$ 1,359</u>	<u>\$ 24,898</u>	<u>\$ (7,615)</u>	<u>\$ 127,310</u>	<u>\$ 75,723</u>

**Statement of Net Assets
Internal Service Fund
December 31, 2006**

	<u>Data Processing</u>
ASSETS:	
Cash & Equivalents - Unrestricted	\$ 33,330
Capital Assets, Net	<u>20,430</u>
 TOTAL ASSETS	 <u><u>\$ 53,760</u></u>
 LIABILITIES:	
Accounts Payable	<u>\$ 906</u>
 NET ASSETS:	
Unrestricted	<u>\$ 52,854</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 53,760</u></u>

County of Presque Isle, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund For the Year Ended December 31, 2006

	Data Processing
OPERATING REVENUES:	
Charges for Services	\$ 26,821
TOTAL OPERATING REVENUES	26,821
OPERATING EXPENSES:	
Contractual Services	5,794
Repairs and Maintenance	22,675
Other Supplies and Expenses	7,017
Depreciation	12,545
Total Operating Expenses	48,031
OPERATING INCOME (LOSS)	(21,210)
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	1,223
Total Non-operating Revenues (Expenses)	1,223
Income (loss) before transfers	(19,987)
Operating Transfer In	15,000
CHANGES IN NET ASSETS	(4,987)
NET ASSETS, JANUARY 1	57,841
NET ASSETS, DECEMBER 31	\$ 52,854

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
Presque Isle County
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 11, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Presque Isle County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Presque Isle, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Presque Isle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of Findings and Responses as item 06-1.

We noted certain matters that we reported to management of the County of Presque Isle, Michigan in a separate letter dated May 11, 2007.

The County of Presque Isle, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County of Presque Isle, Michigan's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 11, 2007

NONCOMPLIANCE WITH STATE STATUTES

Fund Equity Deficit

Finding 06-1

Statement of Condition/Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of December 31, 2006, the Resource Recovery, Building and Zoning Fund, Child Care Fund, and Employee Termination Fund had immaterial accumulated fund equity deficits.

Effect: The County is not in compliance with Public Act 275.

Cause of Condition: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund equity and to implement a deficit reduction plan when required.

Management's Response – Corrective Action Plan: The deficits will be resolved by increasing appropriations from the General Fund.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan
Rogers City, MI

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of the County of Presque Isle for the year ended December 31, 2006, and have issued our report thereon dated May 11, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with the U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the County of Presque Isle, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Presque Isle, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Presque Isle are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Presque Isle during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- The estimated useful lives of Capital Assets.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Presque Isle, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Presque Isle's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Presque Isle County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Child Care Fund (prior comment)

The County's shared child care fund contains numerous expenditure account numbers to track various kinds of salaries/wages and care. Although the accounts appear to be sufficient, the coding of the expenditures to the accounts at the voucher level is very inconsistent. As a result, one cannot reasonably compare expenditure totals in each account from one year to another.

The County remains responsible to ensure that the Child Care Fund is fairly and accurately stated. To ensure a consistent accounting treatment of Child Care Fund expenditures, the County should use a uniform chart of accounts and uniform coding procedures for the Fund.

Status: The Clerk is currently working on this.

DARE Fund (Prior Comment)

The DARE fund bank account is not recorded on the County general ledger. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account.

Status: No change.

Flex One Account (Prior Comment)

The Flex One Plan bank account is not recorded on the County general ledger. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account. The assets of the account are considered County funds and therefore required to be recorded.

Status: Corrected.

County Development Commission (Prior Comment)

The County Development Commission revolving loan fund is not recorded on the general ledger. All funds utilizing the County's federal identification number should be recorded in the general ledger to provide proper financial reporting.

Status: Corrected, this resulted in a Prior Period Adjustment of \$37,211.

Cash Balances (Prior Comment)

At year end, the common checking accounts and trust and agency were out of balance. We recommend the County reconcile all accounts each month before proceeding to the next month.

Status: This was corrected in April 2007.

Fixed Assets (Prior Comment)

During a review of the fixed assets of the data processing fund, it was noted several departments could not identify their fixed assets. It is recommended that each department maintain a detail listing of all equipment purchased and disposed.

Status: The fixed assets are maintained by department.

Policies (Prior Comment)

The County does not currently have a written capitalization policy. It is recommended the County adopt a policy stating what assets are to be capitalized including the procedure for depreciating those assets.

Status: Unchanged.

Economic Development Corporation (Prior Comment)

As of the end of the year, the Economic Development Corporation does not have prenumbered receipts. We recommend a prenumbered receipt book be purchased and used for all receipts of the Corporation. This will not only improve internal controls, but will provide a continuous receipt record reference.

Status: Unchanged.

County Appropriations (Prior Comment)

During a review of County Appropriations, it was noted the County appropriated monies to a non-profit organization without a written contract outlining the uses of the monies. It is recommended the County have a written contract with all non-profit organizations prior to disbursing County Appropriations, or that the County defines the governmental purpose of the appropriations. Also, an audited or reviewed financial statement should be obtained to assure funds are spent accordingly. Contributions to nonprofit agency can be a violation of state law if they do not provide allowed services.

Status: Uncorrected.

Accruals (Prior Comment)

The County did not post all accounts payable accruals in accordance with generally accepted accounting principles. The County did, however, have a detailed listing of the 2005 accruals. It is recommended the County post all accruals needed to comply with generally accepted accounting principles.

Status: Corrected.

Summer Tax Levy

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to fund Revenue Sharing and receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage, which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not completely collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties whole, we recommend that tax revenue be recorded in the General Fund to account for the uncollected portion of the summer levy at year end.

Status: This was recorded as revenue in the General Fund as an audit adjustment per the client's request.

Fraud Policy

With the implementation of statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Personal Property Taxes

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers, which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Receipting

During our review of the receipt system, it was noted that electronic funds transfers (EFT) payments are posted to the general ledger via a journal entry. By definition, a journal entry is correcting in nature and an EFT payments should be receipted into the system. We recommend the County receipt the money in using a sequential numbering system, which can be different from the current receipt numbering.

Status: The County has started numbering the EFT payments.

Form 1099's

It was noted that 1099's are recorded in the salary and wage line items. We recommend that only those paid with a W-2 be recorded in the salary and wage line items and those paid via 1099 be reported in a contractual services account in accordance with the Uniform Chart of Accounts (account number 801-831).

Payroll

It was noted during the testing of payroll that the Employment Eligibility Verification Form I-9 for one employee was incomplete. The error noted related to a form completed in a prior year. We recommend that the personnel files for all current employees, regardless of hire date, be reviewed and any I-9's with errors be replaced to assure that every form is completed in its entirety according to the instructions outlined on the form.

Check Copies

Due to changes in bank practices, the County does not receive canceled checks. The County should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Signature Authority

During our review of authorized bank account signers, it was noted that neither the Board of Commissioner's Chairperson nor the Finance Committee Chairperson is listed as an authorized signer. We recommend that the Chairperson of both the County Board of Commissioners and the Finance Committee be added to the signature cards at all bank accounts.

Conclusion

This information is intended solely for the use of the Finance Committee, Board of Commissioners and management of the County of Presque Isle and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 11, 2007